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**CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
LAKE CHARLES, LOUISIANA**

ANNUAL FINANCIAL REPORT

JUNE 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-15-06

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

Lake Charles, Louisiana

BOARD OF COMMISSIONERS

June 30, 2005

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George L. Heard

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
LAKE CHARLES, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended June 30, 2005

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Chennault International Airport Authority
Lake Charles, Louisiana

We have audited the accompanying financial statements of the governmental activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of Chennault International Airport Authority as of and for the year then ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, major funds, and remaining fund information of Chennault International Airport Authority as of June 30, 2005, and the changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 to 6 and pages 26 to 27 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 5, 2005 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


December 5, 2005

Management's Discussion and Analysis

As management of the Chennault International Airport Authority, we offer readers of the Chennault International Airport's financial statements this narrative overview and analysis of the financial activities for the Authority for the fiscal year ended June 30, 2005.

Financial Highlights

- The Authority has a \$1,500,000 grant from the Louisiana Economic Development Award Program ("EDAP") that will be matched by \$1,500,000 of local funds to construct improvements to hangars and support buildings and to acquire tooling and tail docks for maintenance of large aircraft. These improvements and equipment will be used to expand business activities at Chennault. The Authority received \$678,320 in reimbursements from the EDAP program for the fiscal year ending June 30, 2005. Adding the \$678,320 to the \$75,031 received the preceding year brings the total reimbursements received to date from the EDAP program to \$753,351. The Authority expects to receive the remainder of the EDAP grant by December 31, 2006.
- The Authority has entered into a Cooperative Endeavor Agreement with the Division of Administration of the State of Louisiana for a \$1,600,000 cash line of credit. The Authority received \$684,782 in reimbursements from the Division of Administration for the fiscal year ending June 30, 2005. The Authority expects to receive the remainder of the line of credit by December 31, 2006. Projects under consideration for use of the remaining funds include planned office/backshop additions to Hangars "C" and "G" and renovations to Building 3009.
- The Authority entered into an agreement on May 10, 2005 authorizing Freeman Holdings of Louisiana, LLC to operate its fixed base operations on the airport in place of Chennault Jet Center, Inc. A subsequent sublease and agreement for property to be used for fixed base operations was signed in July 2005 between the Authority and Freeman Holdings of Louisiana, LLC for a term of ten years commencing August 1, 2005. The fixed base operation of Freeman Holdings of Louisiana, LLC at Chennault is being operated as a Million Air franchise. The Authority and Freeman Holdings are jointly cooperating to expand the fuel farm capacity. Freeman Holdings has purchased and installed two new aviation fuel tanks of 25,000 gallons each and the Authority has agreed to allow Freeman Holdings to retain up to \$90,000 of future fuel flowage fees to use in adding a third new fuel tank of 25,000 gallons and associated equipment.
- The Authority on July 22, 2005 consented to an assignment of the sublease from EADS Aeroframe Services, LLC to FFC Louisiana, LLC. This lease assignment has resulted in the retention of private sector aircraft maintenance jobs. It has also allowed the Authority to continue to participate in and to fund facility and equipment acquisition through the EDAP program.

Financial Analysis

The assets of the Chennault International Airport Authority exceeded its liabilities at the close of the fiscal year ended June 30, 2005, by \$66,098,748. Table 1 on the following page compares the calculation of net assets for the last two years.

Table 1
Chennault International Airport Authority
Net Assets

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Assets Other Than Property, Plant and Equipment:		
Cash and certificates of deposit	\$ 6,147,675	\$ 5,375,353
Receivables	1,036,806	127,752
Reimbursement reserve account	413,607	397,632
Total	<u>7,598,088</u>	<u>5,900,737</u>
Property, Plant and Equipment:		
Hangars	36,965,111	36,965,111
Offices, warehouses, and shops	22,078,760	21,667,061
Airport operations buildings	2,575,385	2,575,385
Airfield pavement improvements	3,275,467	3,275,467
Roads and parking lots	3,021,271	2,863,868
Utility systems	5,682,624	5,570,741
Firewater plant and lines	2,109,867	2,109,867
Waste treatment plant	1,880,786	1,880,786
Fences and gates	1,840,820	1,840,820
Other Improvements	3,704,143	3,704,143
Equipment	<u>3,508,861</u>	<u>3,319,289</u>
Subtotal	86,643,095	85,772,538
Less accumulated depreciation	<u>(29,832,875)</u>	<u>(27,305,512)</u>
Capital Assets, net of depreciation	56,810,220	58,467,026
Land	2,340,997	2,340,997
Construction in progress	<u>2,153,175</u>	<u>282,513</u>
Total Property, Plant and Equipment	<u>61,304,392</u>	<u>61,090,536</u>
Total Assets	<u>68,902,480</u>	<u>66,991,273</u>
Liabilities:		
Other Liabilities	533,732	147,770
Bonds Payable	<u>2,270,000</u>	<u>2,465,000</u>
Total Liabilities	<u>2,803,732</u>	<u>2,612,770</u>
Net Assets:		
Invested in capital assets	58,999,642	58,587,723
Restricted for capital projects	2,838,465	2,546,034
Restricted for debt service	443,817	477,544
Unrestricted	<u>3,816,824</u>	<u>2,767,202</u>
Total net assets	<u>\$ 66,098,748</u>	<u>\$ 64,378,503</u>

Note - The net assets listed above do not include either the value of the 1,200 acres of land leased to the Authority for ninety-nine years by the four entities

that created Chennault in June 1986 or the value of the approximately 14 million square feet of pavement that remains of the runway, taxiway, and aircraft parking aprons of the former Chennault Air Force Base.

The net assets of the Chennault International Airport Authority increased by \$1,720,245 during the fiscal year ended June 30, 2005. The changes in net assets are detailed below in Table 2.

Table 2
Chennault International Airport Authority
Changes in Net Assets

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Revenues:		
Property tax	\$ 5,100,067	\$ 5,005,812
Rent income	1,246,657	2,028,722
Miscellaneous income	141,807	214,977
Gain on sale of assets	6,000	-0-
Interest income	131,353	42,105
Grants	<u>1,363,102</u>	<u>1,002,537</u>
Total	<u>7,988,986</u>	<u>8,294,153</u>
Expenses:		
Operate, maintain, and repair airport and facilities	3,132,329	3,696,226
Intergovernmental	458,213	429,119
Interest paid on debt	144,836	156,063
Depreciation	<u>2,533,363</u>	<u>2,531,364</u>
Total	<u>6,268,741</u>	<u>6,812,772</u>
Increase in Net Assets	1,720,245	1,481,381
Beginning Net Assets	<u>64,378,503</u>	<u>62,897,122</u>
Ending Net Assets	<u>\$ 66,098,748</u>	<u>\$ 64,378,503</u>

Analysis of State and Federal Grants

Table 3 shows the state and federal grants received for the last two years.

Table 3
Chennault International Airport Authority
State and Federal Grants

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
State grant – New Shop/Warehouse	\$ 684,782	\$ 775,366
State grant – EDAP Project	678,320	75,031
State grant – New Fire Station	-0-	13,830
Federal grant – New Fire Station	<u>-0-</u>	<u>138,310</u>
Total State and Federal Grants	<u>\$ 1,363,102</u>	<u>\$ 1,002,537</u>

Long-Term Debt

The Authority owes the State of Louisiana a total of \$2,270,000 under three reimbursement contracts entered into in 1993, 1994, and 1996. The debt originally totaled to \$3,900,000 and was used to construct hangar and facility improvements agreed to in the sublease signed in 1991 with Grumman Louisiana Corporation. The annual interest rate on the debt is six percent. Principal payments on the debt during the fiscal year ending June 30, 2005, totaled to \$195,000.

Budgetary Highlights

Property tax collections of \$5,100,067 from the 5.45 mill tax levied for 2004 exceeded the \$5,025,000 that was budgeted by \$75,067. There is one year remaining on the ten-year authorization to levy the property tax. The property tax levy approved for the year ending December 31, 2005 is 5.45 mills.

Rent income collected amounted to \$1,246,657, which is \$32,875 more than was budgeted for the year ending June 30, 2005.

The \$141,807 total for miscellaneous income exceeded the budget by \$7,307. The two largest components of miscellaneous income are \$103,007 of fuel flowage fees and \$32,947 of landing fees. The fuel flowage fees revenues were down \$35,849 from the previous fiscal year.

Major repair expenditures for the year totaled to \$410,754. This is \$639,246 less than the budget for this expenditure category. The largest reason for repair expenditures being less than budgeted for this category is that repair projects were delayed to the following fiscal year.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2005

	Governmental Fund Types		
	Special Revenue	Debt Service	Capital Projects
ASSETS			
Cash	\$ 558,318	\$ -	\$ 189,357
Certificates of Deposit	3,325,000	35,000	2,040,000
Receivables:			
Taxes	35,006	-	-
Interest	3,721	17	6,265
Federal/State Grants	-	-	684,781
State Capital Outlay Grant	-	-	-
EDAP Grant	-	-	290,312
Other	13,909	-	-
Land			
Other Capital Assets, net of accumulated depreciation	-	-	-
Deposits	2,795	-	-
Reimbursement reserve account	-	413,607	-
Due from other funds	9,405	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,948,154</u>	<u>\$ 448,624</u>	<u>\$ 3,210,715</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 126,674	\$ -	\$ 4,148
Accrued expenses	1,246	-	-
Contracts payable	-	-	363,504
Deferred revenues	3,410	-	-
Due to other funds	-	4,807	4,598
Reimbursement contracts, State of Louisiana	-	-	-
Due within one year	-	-	-
Due after one year	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>131,330</u>	<u>4,807</u>	<u>372,250</u>
Fund Balances/ Net Assets			
Fund Balances			
Reserved for construction and repairs	-	-	2,838,465
Designated for debt service	-	443,817	-
Undesignated	3,816,824	-	-
	<u>3,816,824</u>	<u>443,817</u>	<u>2,838,465</u>
Total liabilities and fund balance	<u>\$ 3,948,154</u>	<u>\$ 448,624</u>	<u>\$ 3,210,715</u>
Net Assets			
Invested in capital assets, net of related debt			
Restricted for construction and repairs			
Restricted for debt service			
Unrestricted			
Total net assets			

See Accompanying Notes to Financial Statements

Total Government Funds	Adjustments	Statement of Net Assets
\$ 747,675		\$ 747,675
5,400,000		5,400,000
35,006		35,006
10,003		10,003
684,781		684,781
-		-
290,312		290,312
13,909		13,909
	2,340,997	2,340,997
-	58,963,395	58,963,395
2,795		2,795
413,607		413,607
9,405	(9,405)	-
<u>\$ 7,607,493</u>	<u>\$ 61,294,987</u>	<u>\$ 68,902,480</u>
\$ 130,822		\$ 130,822
1,246	34,750	35,996
363,504		363,504
3,410		3,410
9,405	(9,405)	-
-		-
-	210,000	210,000
-	2,060,000	2,060,000
<u>508,387</u>	<u>2,295,345</u>	<u>2,803,732</u>
2,838,465	(2,838,465)	-
443,817	(443,817)	-
3,816,824	(3,816,824)	-
<u>7,099,106</u>	<u>(7,099,106)</u>	
<u>\$ 7,607,493</u>	<u>(4,803,761)</u>	
	58,999,642	58,999,642
	2,838,465	2,838,465
	443,817	443,817
	3,816,824	3,816,824
	<u>\$ 66,098,748</u>	<u>\$ 66,098,748</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO NET ASSETS
June 30, 2005

Total Governmental Fund Balances \$ 7,099,106

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	2,340,997
Buildings	61,619,256
Airfield Pavement Improvement	3,275,467
Roads and Parking	3,021,271
Utility and Fire Protection Systems	7,792,491
Waste Treatment Plant	1,880,786
Fences and Gates	1,840,820
Other Improvements	3,704,143
Equipment	3,508,861
Construction in progress	2,153,175
Accumulated depreciation	<u>(29,832,875)</u>
Other capital assets, net of accumulated depreciation	58,963,395

Interfund receivables are eliminated in reporting total assets (9,405)

Total asset adjustments \$ 61,294,987

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Reimbursement contracts, State of Louisiana	(2,270,000)
Accrued interest	(34,750)

Interfund payables are eliminated in reporting total assets 9,405

Total liability adjustments \$ (2,295,345)

Net assets of governmental activities \$ 66,098,748

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2005

	Governmental Funds		
	Special Revenue	Debt Service	Capital Projects
Revenues:			
Taxes	\$ 5,100,067	\$ -	\$ -
Rents	1,246,657	-	-
Interest	75,247	9,173	46,933
Miscellaneous	201,807	-	-
Gain on sale of assets	-	-	-
Grant proceeds	-	-	1,363,102
Total revenues	<u>6,623,778</u>	<u>9,173</u>	<u>1,410,035</u>
Expenditures:			
Current operating:			
Personal services	1,246,320	-	-
Travel	36,433	-	-
Contractual services	1,160,872	-	-
Intergovernmental	458,213	-	-
Supplies and materials	161,434	-	-
Repairs and maintenance	410,754	-	-
Depreciation	-	-	-
Capital outlays	100,130	-	2,817,604
Debt service:			
Principal retirement	-	195,000	-
Interest and fiscal charges	-	147,900	-
Total expenditures	<u>3,574,156</u>	<u>342,900</u>	<u>2,817,604</u>
Excess (deficiency) of revenues over expenditures	<u>3,049,622</u>	<u>(333,727)</u>	<u>(1,407,569)</u>
Other financing sources (uses):			
Surety Collection	-	-	-
Operating transfers in	-	300,000	1,700,000
Operating transfers (out)	(2,000,000)	-	-
Total other financing sources (uses)	<u>(2,000,000)</u>	<u>300,000</u>	<u>1,700,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>1,049,622</u>	<u>(33,727)</u>	<u>292,431</u>
Fund balance/net assets			
Beginning of year	<u>2,767,202</u>	<u>477,544</u>	<u>2,546,034</u>
End of year	<u>\$ 3,816,824</u>	<u>\$ 443,817</u>	<u>\$ 2,838,465</u>

See Accompanying Notes to Financial Statements

Total Government Funds 2005	Adjustments	Statement of Activities
\$ 5,100,067	\$ -	\$ 5,100,067
1,246,657	-	1,246,657
131,353	-	131,353
201,807	(60,000)	141,807
-	6,000	6,000
1,363,102	-	1,363,102
<u>8,042,986</u>	<u>(54,000)</u>	<u>7,988,986</u>
1,246,320	-	1,246,320
36,433	-	36,433
1,160,872	109,322	1,270,194
458,213	-	458,213
161,434	7,194	168,628
410,754	-	410,754
-	2,533,363	2,533,363
2,917,734	(2,917,734)	-
195,000	(195,000)	-
147,900	(3,064)	144,836
<u>6,734,660</u>	<u>(465,919)</u>	<u>6,268,741</u>
<u>1,308,326</u>	<u>411,919</u>	<u>1,720,245</u>
-	-	-
2,000,000	-	2,000,000
<u>(2,000,000)</u>	<u>-</u>	<u>(2,000,000)</u>
<u>-</u>	<u>-</u>	<u>-</u>
1,308,326	411,919	1,720,245
<u>5,790,780</u>	<u>58,587,723</u>	<u>64,378,503</u>
<u>\$ 7,099,106</u>	<u>\$ 58,999,642</u>	<u>\$ 66,098,748</u>

Activity reconciliation

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY RECONCILIATION OF CHANGE IN GOVERNMENTAL FUND BALANCE TO THE STATEMENT OF ACTIVITIES June 30, 2005

Net change in fund balances - total governmental funds \$ 1,308,326

Amounts reported for governmental activities in the statement of activities
are different because:

Miscellaneous revenue reported in governmental funds are reclassified in the
statement of activities as net gain on sale of asset (54,000)

Capital outlays are reported as expenditures in governmental funds. However,
in the statement of activities, the cost of capital assets is allocated over their
useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	2,917,734	
Depreciation expense	<u>(2,533,363)</u>	
Excess of capital outlay over depreciation expense		384,371

Capital outlays reported in governmental funds are reclassified in the
the statement of activities as operating expenditures:

Contractual & Operating	(17,809)	
Supplies and materials	(7,194)	
Professional fees	<u>(91,513)</u>	
Total capital outlay reclassified as operating expenditures		(116,516)

Repairs and maintenance reported in governmental funds are capitalized
in the statement of activities since the
Repayment of long-term debt is reported as an expenditure in governmental
funds, but the repayment reduces long-term liabilities in the statement of net
assets. In the current year, these amounts consist of:

Principal retirement - Reimbursement contracts	195,000
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Some interest payments reported in the governmental funds reflect expenses of the
previous year.

Net decrease in accrued interest	<u>3,064</u>
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Change in net assets of governmental funds	<u>\$ 1,720,245</u>
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CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1. **Summary of Significant Accounting Policies**

The Chennault International Airport Authority (the Authority) is a political subdivision of the State of Louisiana and was created by an Act of the Louisiana Legislature. By virtue of the act and the joint initiative of Calcasieu Parish, City of Lake Charles, Calcasieu Parish School Board and the State Board of Elementary Education, a special district was created through an intergovernmental contract and local services agreement. The Authority is governed by a board of seven commissioners appointed as follows: two members appointed by Calcasieu Parish, two members appointed by the City of Lake Charles, two members appointed by the Calcasieu Parish School Board. The six members so appointed shall appoint by majority vote a seventh member.

The name of the Authority was changed by Act 458 of the Louisiana Legislature, 1997 Regular Session, from the Chennault Industrial Airpark Authority to the Chennault International Airport Authority.

The Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. In June 1999, the Governmental Accounting Standards Board unanimously approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. The Authority implemented the new reporting model standards in fiscal year ended June 30, 2004.

Reporting Entity

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criteria used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(continued)

able to exercise oversight responsibilities. Based upon the application of these criteria, it was determined that no other agency should be included in this reporting entity.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three generic fund types and two broad funds categories as follows:

GOVERNMENTAL FUNDS

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the authority.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition, renovation, or construction of major capital facilities.

Basic Financial Statements – Government-Wide Statements

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's funds).

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(continued)

In the government-wide Statement of Net Assets, governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government- wide Statement of Activities reports revenues and expenses on a full accrual, economic resource basis. The Statement of Activities recognizes depreciation expense.

This government-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's assets resulting from current year's activities.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

All governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when available and measurable. Revenues that are accrued include rent, property taxes, and interest. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

Cash and Certificates of Deposit

Cash and certificates of deposit are stated at cost which approximates market. Interest is accrued as earned in the period it becomes measurable and available.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(continued)

Accrued Unpaid Vacation, Sick Leave and Other Employee Benefit Amounts

Vacation, compensation time, and sick leave are recorded as expenditures of the period in which they are paid. In the event of separation of employment, the employee will be paid for any unused vacation time accrued. Employees are able to accrue unused sick leave without limitation. However, there will be no payment of unused sick leave upon separation of employment. At June 30, 2005 unrecorded Special Revenue Fund liabilities included approximately \$46,731 vacation pay and \$2,679 compensation time.

Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles and, accordingly, include amounts that are based on management's best estimates and judgements. Actual results could differ from these estimates.

2. **Cash and Certificates of Deposit**

Cash and investments stated at cost consisted of the following:

Cash	\$ 747,675
Certificates of deposit	\$ 5,400,000

The Authority maintains a fiscal agent agreement. All cash and certificates of deposit are entirely insured or collateralized. Louisiana state statute requires that the Authority's deposits be secured by the depository banks and savings and loan associations pledging government securities as collateral. The amount of the security shall at all time be equal to one hundred percent of the amount on deposit except that portion of deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States.

Cash and investments of the Authority are classified into three categories to give an indication of the level of risk assumed at year-end:

Category 1: includes investments insured or collateralized with securities held by the Authority or its agent in the name of the Authority.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(continued)

Category 2: includes uninsured investments which are collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3: includes uninsured and unregistered investments with the securities held by the financial institution, or by its trust department or agent, but not in the name of the Authority.

Cash and certificates of deposit as of June 30, 2005 were all classified as Category 1.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Additions, improvement and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for costs for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	15 - 40 years
Machinery and equipment	10 - 30 years
Improvements	10 - 50 years
Other infrastructure	10 - 50 years

GASB 34 requires the Authority to report and depreciate new infrastructure assets effective with the beginning of the previous year. The Authority has voluntarily elected to retroactively report infrastructure assets and depreciation. Infrastructure assets include drainage, roads, runways, lighting, utilities, etc.

4. Joint Services Agreement

The Chennault International Airport Authority entered into Joint Services Agreements on April 4, 1995, with the West-Calcasieu Airport Managing Board and the DeQuincy Airport Authority. The purpose of the agreements is to cooperate on the construction, acquisition, and improvement of public aviation projects or improvements. The joint use of funds is intended to carry out the public purpose of encouraging and stimulating economic development throughout Calcasieu Parish.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(continued)

Under the terms of the agreements, the Authority agreed to annually grant or transfer \$120,000 to the West-Calcasieu Airport Authority Managing Board and \$60,000 to the DeQuincy Airport Authority. The transfers are scheduled to take place annually for a ten-year period with the last payment to be made in the year 2006.

5. **Property Taxes**

On January 21, 1995, an election was held and the proposition passed authorizing the Authority to levy and collect a 5.82 mill property tax for a period of ten years beginning with the year 1996. On January 15, 2005, an election was held and the proposition passed authorizing the Authority to renew the levy and collect a 5.45 mill property tax for a period of ten years beginning with the year 2006. For the year ended June 30, 2005, the Authority levied taxes of 5.45 mills on property with assessed valuation totaling \$942,896,320, the taxes were dedicated to maintaining, operating, relocating, constructing, or improving Airpark facilities of the Authority. Total taxes levied were \$5,138,785.

Property tax mileage rates are normally adopted in May for the calendar year in which taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31st. Property taxes not paid by February 28th are subject to property lien.

6. **Reimbursement Contract**

The Authority and the State Bond Commission have entered into three separate reimbursement contracts including a \$3,000,000 contract amended August 19, 1993, a \$600,000 contract dated November 17, 1994, and a \$300,000 contract dated July 18, 1996. The contracts provide for payments to reimburse the state for bonds issued for renovations to Chennault facilities as well as providing for the establishment of a reserve account.

The reimbursement contracts provide that the Authority shall repay into the State of Louisiana Bond Security and Redemption Fund designated revenues in an amount sufficient to reimburse the amount of the contract, together with interest at the rate of 6% over a period of twenty years.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(continued)

The indebtedness will be repaid as follows:

1993 Contract		1994 Contract	
Date	Principal	Date	Principal
3/15/06	165,000	5/15/06	30,000
3/15/07	180,000	5/15/07	30,000
3/15/08	190,000	5/15/08	35,000
3/15/09-13	1,125,000	5/15/09-15	290,000
	<u>\$ 1,660,000</u>		<u>\$ 385,000</u>

1996 Contract	
Date	Principal
4/15/06	15,000
4/15/07	15,000
4/15/08	15,000
4/15/09-17	180,000
	<u>\$ 225,000</u>

The Authority shall, in addition to making annual principal and interest payments, transfer and make available to the State of Louisiana an amount equal to a minimum of one-tenth of the average annual debt service on the reimbursement contract. The amount so deposited shall be used, if necessary, solely to remedy or prevent a default in making the reimbursement payments required by this contract. When the reimbursement contract has been paid in full, any amount of funds remaining in the reserve fund shall be transferred by the State to the Authority. As of June 30, 2005 the Authority had \$413,607 in the reserve fund.

The reimbursement contract reserve payment schedule is as follows:

1996 Contract	
Date	Principal
4/15/06	2,634
4/15/07	2,634
	<u>\$ 5,268</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(continued)

7. Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the Authority for the year ended June 30, 2005

Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005	Amounts Due Within One Year
\$ 2,465,000	\$ -	\$ (195,000)	\$ 2,270,000	\$ 210,000

The annual requirements to amortize all general obligation debt outstanding as of June 30, 2005, are as follows:

Year Ending June 30	Interest	Principal
2006	136,200	210,000
2007	123,600	225,000
2008	110,100	240,000
2009	95,700	245,000
2010 and thereafter	<u>246,900</u>	<u>1,350,000</u>
	<u>712,500</u>	<u>2,270,000</u>

There are various limitations and restrictions contained in the various debt agreements. The Authority is in compliance with all significant limitations and restrictions.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(continued)

8. Change in General Fixed Assets

A summary of general fixed assets for the year ended June 30, 2005 is as follows:

	Beginning of Year	Additions	Retirements	End of Year
Construction in progress	\$ 282,513	\$ 2,817,604	\$ 946,942	\$ 2,153,175
Land	2,340,997	-	-	2,340,997
Buildings	61,207,557	579,026	167,327	61,619,256
Improvements other than building	21,245,692	271,281	1,995	21,514,978
Equipment	<u>3,319,289</u>	<u>196,765</u>	<u>7,193</u>	<u>3,508,861</u>
Total Cost	88,396,048	3,864,676	1,123,457	91,137,267
Accumulated Depreciation	<u>(27,305,512)</u>	<u>(2,533,363)</u>	<u>6,000</u>	<u>(29,832,875)</u>
Net Assets	<u>\$ 61,090,536</u>	<u>\$ 1,331,313</u>	<u>\$ 1,117,457</u>	<u>\$ 61,304,392</u>

During the fiscal year ended June 30, 2005, the Authority completed construction on several capital projects. Listed below is a summary of the completed projects.

Project	Prior Period Expenditures	Year Ended June 30, 2005	Total Project Expenditures
Hangar E AFFF	\$ 59,904	\$ 31,609	\$ 91,513
Relocate Utility Lines	81,752	-	81,752
Northrop Compressor Plant	71,635	-	71,635
Northrop Improvements	-	629,102	629,102
Other Projects	<u>1,170</u>	<u>71,770</u>	<u>72,940</u>
Total	<u>\$ 214,461</u>	<u>\$ 732,481</u>	<u>\$ 946,942</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(continued)

Construction in progress as of June 30, 2005, is composed of the following:

	Project Authorization	Expended to June 30, 2005	Committed
Hangar A AFFF	\$ 875,000	\$ 806,844	\$ 68,156
Hangar D Tail Docks/Stand	1,500,000	1,341,220	158,780
Bldg 1020 Energy Mgmt	100,000	5,111	94,889
Total	<u>\$ 2,475,000</u>	<u>\$ 2,153,175</u>	<u>\$ 321,825</u>

9. Lease Revenue

The Authority leases its property to various commercial operations. A significant portion of these leases are non-cancelable operating leases.

Minimum rentals as of June 30, 2005 on non-cancelable operating leases for the next five years are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2006	\$ 540,969
June 30, 2007	\$ 641,840
June 30, 2008	\$ 521,384
June 30, 2009	\$ 351,368
June 30, 2010	\$ 301,368

10. Defined Benefit Plan

Plan Description:

The Authority contributes to the Louisiana State Employees' Retirement System (System), a cost-sharing multiple-employer public employee retirement system (PERS). As a result of state legislation passed Chennault employees with 10 years of service credit on June 30, 2004 participate in the system.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(continued)

Employees are eligible for retirement if they have: a) thirty years or more of service, at any age; b) twenty-five years or more of service, at age fifty-five or thereafter; or c) ten years or more of service, at the age of sixty or thereafter.

Retirees shall receive a maximum retirement allowance equal to two and one-half percent of average compensation for every year of creditable service plus three hundred dollars. The retirement benefits provided shall not exceed one hundred percent of retiree's average compensation. The System also provides death and disability benefits. Benefits are established by Louisiana state statute.

The Authority's payroll for employees covered by the System for the year ended June 30, 2005 was \$376,613. The Authority's total payroll and taxable benefits was \$990,925.

Contribution requirements:

Covered employees are required by Louisiana state statute to contribute 7.5 percent of their salary to the plan. The Authority is required by the same statute to contribute 17.8 percent of eligible salaries. The contribution requirement for the year ended June 30, 2005, was \$95,283 (25.3% of current year covered payroll), which consisted of \$67,037 (17.8% of current year covered payroll) from the Authority and \$28,246 (7.5% of current year covered payroll) from employees.

Fund status and progress:

The "Pension Benefit Obligation" (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users access the funding status of the plan on a going-concern basis, assets progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other public employee retirement systems. The measure is called the "actuarial present value of credited projected benefits" and is independent of the funding method used to determine contributions to the plan.

The PBO was computed as part of an actuarial valuation performed as of June 30, 2004; however, the System does not make separate measurements of assets and pension benefit obligations of individual employers. The pension benefit obligation at June 30, 2004, for the System as a whole was approximately \$10.237 billion.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(continued)

The system's net assets available for benefits on that date (valued at market) were approximately \$6.097 billion, leaving an unfunded pension benefit obligation of approximately \$4.139 billion. The Authority's 2005 contribution represented .05 percent of the total contributions required of all participating entities.

Ten year historical trend information is presented in a separately issued PERS report which provides information about progress made in accumulating sufficient assets to pay benefits when due.

11. Commitments

Commitments under maintenance and service contracts provide for minimum annual payments as follows:

Year Ending June 30	Fire Protection	Runway Equipment
2006	413,536	28,500
2007	-	28,500
2008	-	28,500
2009	-	28,500
2010	-	19,000
	<u>\$ 413,536</u>	<u>\$ 133,000</u>

12. Subsequent Events

On September 24, 2005, Hurricane Rita made landfall and caused extensive damages to the Authority's property and equipment. The high winds damaged many of the buildings that are owned by the Authority. These buildings were insured under three policies with total limits of coverage exceeding \$74,000,000. Management estimates the total amount of damages and building code compliance upgrades to buildings and equipment will be approximately \$35,000,000. The amount of damages not covered by insurance has yet to be determined. The costs not covered by insurance will include the two percent of insured value deductible per building for damages caused by high winds, the cost of making code compliance upgrades that are in excess of the coverage limits, and the cost of repairing or replacing fences, gates, signage, airfield lighting systems, and other ancillary assets not covered by insurance. There is the possibility that some of the cost of repairs and code upgrades will qualify for partial reimbursement from the Federal Emergency Management Agency (FEMA).

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005
(continued)

13. Contingencies

The Authority is subject to pending claims and litigation which arise primarily in the ordinary course of business. The Authority does not anticipate any losses with respect to such pending claims and litigation as of June 30, 2005.

A written request has been submitted by the Authority to the Internal Revenue Service that in view of the circumstances of its election under Section 218 of the Social Security Act that its payment for social security tax commence on January 1, 2004. The Authority has made payroll tax deposits to cover social security tax on all wages paid in 2004 and 2005. Discussions are ongoing with Internal Revenue Service personnel regarding the issue of payment of social security tax on wages for 2002 and 2003. The facts and circumstances support the commencement of payment of social security tax in 2004. An assessment for 2002 and 2003 in the opinion of management is unlikely and for that reason no liability is accrued for prior year social security tax.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 4,900,000	\$ 5,025,000	\$ 5,100,067	\$ 75,067
Rents	1,153,782	1,213,782	1,246,657	32,875
Interest	25,000	25,000	75,247	50,247
Miscellaneous	134,500	134,500	201,807	67,307
Grant proceeds	-	-	-	-
Total revenues	<u>6,213,282</u>	<u>6,398,282</u>	<u>6,623,778</u>	<u>225,496</u>
Expenditures:				
Salaries	960,560	960,560	971,075	(10,515)
Employee benefits and taxes	321,642	321,642	275,245	46,397
Travel	40,000	40,000	36,433	3,567
Rentals	22,108	22,108	10,534	11,574
Insurance	236,300	236,300	170,041	66,259
Telephone and utilities	96,670	113,520	99,125	14,395
Maintenance	112,910	112,910	83,266	29,644
Control tower	18,800	18,800	12,443	6,357
Fire protection	420,000	420,000	572,327	(152,327)
Advertising	16,700	16,700	24,115	(7,415)
Architectural and engineering	25,000	25,000	24,772	228
Miscellaneous Contractual	116,600	209,750	164,250	45,500
Intergovernmental	472,868	472,868	458,213	14,655
Business development	12,400	12,400	22,006	(9,606)
Maintenance supplies	60,000	60,000	44,367	15,633
Office Expense	13,760	13,760	12,476	1,284
Vehicles-fuel and repairs	80,050	80,050	82,584	(2,534)
Major repairs	1,050,000	1,050,000	410,754	639,246
Capital outlays	141,000	141,000	100,130	40,870
Total expenditures	<u>4,217,368</u>	<u>4,327,368</u>	<u>3,574,156</u>	<u>753,212</u>
Excess of revenues over expenditures	1,995,914	2,070,914	3,049,622	978,708

(continued on next page)

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Fiscal Year Ended June 30, 2005
(continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Excess of revenues over expenditures	1,995,914	2,070,914	3,049,622	978,708
Other financing sources (uses):				
Surety Collection	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	-
Total Other Sources (Uses)	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	-
Excess (deficiency) of revenues over expenditures and other uses	(4,086)	70,914	1,049,622	978,708
Fund balance at beginning of year	<u>2,258,406</u>	<u>2,767,202</u>	<u>2,767,202</u>	-
Fund balance at end of year	<u>\$ 2,254,320</u>	<u>\$ 2,838,117</u>	<u>\$ 3,816,824</u>	<u>\$ 978,708</u>

Chennault International Airport Authority
Note to Required Supplementary Information-Budgetary Reporting
For the year ended June 30, 2005

The Budgetary Comparison Schedule-Budget to Actual presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis.

A proposed budget is prepared and submitted to the Board of Commissioners prior to the beginning of each year. A budget summary and notice of a public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget, prepared on the modified accrual basis, covers all Authority activities. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Board of Commissioners.

Formal budgetary integration is employed as a management control device during the year for the Special Revenue Funds. Formal budgetary integration, although employed by the Debt Service Funds, is alternatively achieved through certificate of indebtedness and reimbursement contract provisions. The capital budget ordinances which authorize the Capital Projects Fund present cumulative as opposed to annual budget amounts.

SUPPLEMENTAL INFORMATION

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

SCHEDULE OF PER DIEM PAID COMMISSIONERS

June 30, 2005

The schedule of per diem paid to commissioners was prepared in compliance with house Concurrent Resolutions No. 54 of the 1979 Session of the Louisiana Legislature.

As provided by Louisiana Revised Statute 33:4710.6, member of the commission serve without compensation.

<u>Commissioner</u>	<u>Meetings</u>	<u>Compensation</u>
Louis H. Haxthausen	16	-
Russell T. Tritico, Sr.	14	-
George H. Vincent	13	-
Leonard C. Breda, III	12	-
Jane Dufrene	15	-
Glen A. James	13	-
Jonald J. Walker, III	15	-

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Chennault International Airport Authority
Lake Charles, Louisiana

We have audited the general purpose financial statements of the Chennault International Airport Authority as of and for the year ended June 30, 2005 and have issued our report dated December 5, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Chennault International Airport Authority's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chennault International Airport Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of the Board of Commissioners, management, and other state and federal audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


December 5, 2005

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